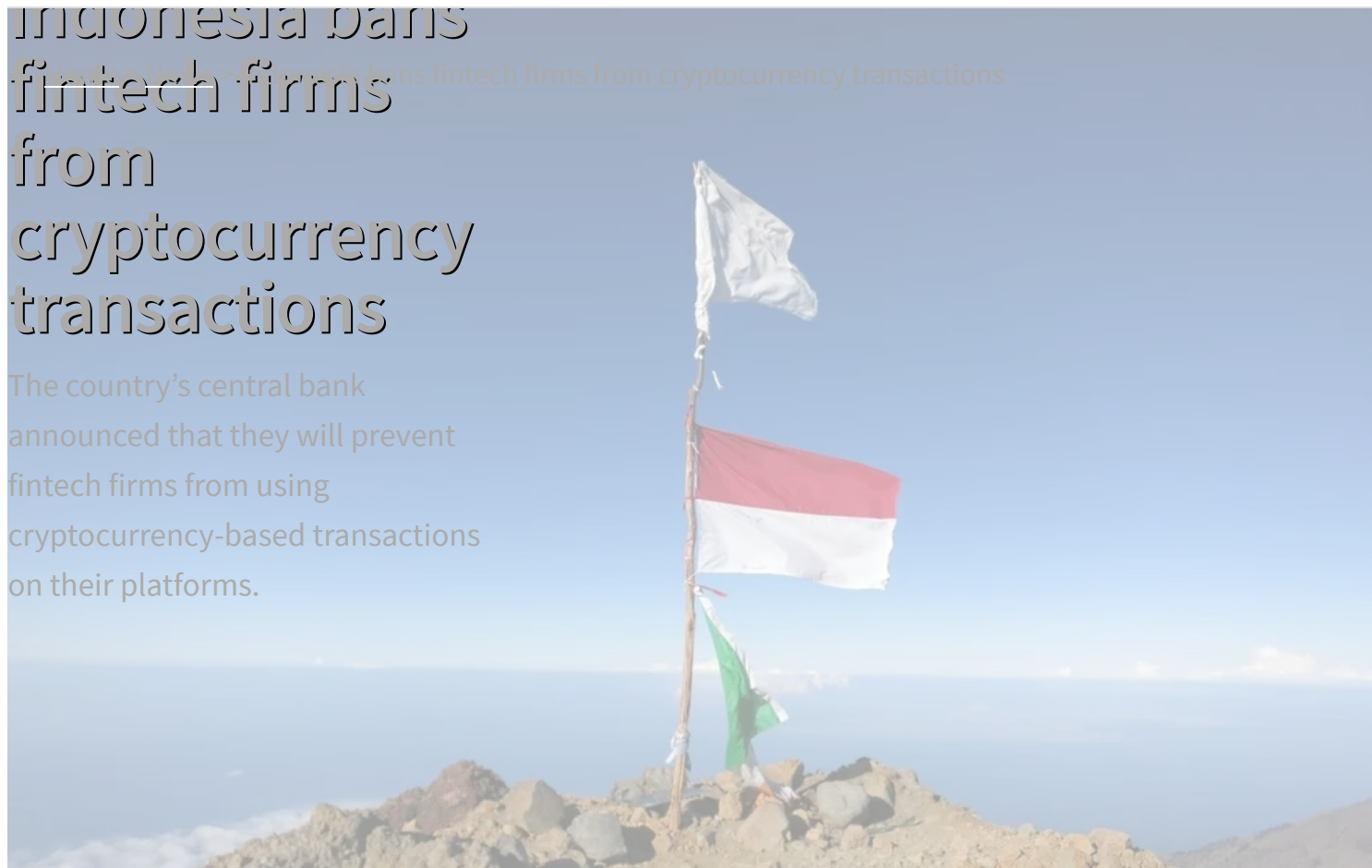


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Indonesia bans fintech firms from cryptocurrency transactions

The country's central bank announced that they will prevent fintech firms from using cryptocurrency-based transactions on their platforms.



Published on December 11, 2017

By **Ali Raza**

The Indonesian central bank recently revealed that they will start preventing (fintech)-based companies from using cryptocurrency transactions on their platforms. This move comes in response to an increase in interest in cryptocurrencies all over the world.

Deputy Governor of the Indonesian Central Bank, Sugeng, told several companies that they should start implementing its latest ban on the 1st of January 2018. However, the ban will not affect cryptocurrency transactions. The regulations pertaining to fintech firms, especially those seeking license

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According to the head of the Indonesian Central Bank's fintech department, cryptocurrency is still too volatile for any financial regulator or financial investors any degree of safety. Herdiawan added that the market is harsh and makes the risks even higher.

Indonesia has a relatively small cryptocurrency market, especially compared to Japan, however, the latest move is likely to stifle the market even more, which potentially could cost the industry millions of dollars. Previously, the bank released a statement which noted that the rupiah is the only recognized currency. The latest set of regulatory policies only seems to reinforce that sentiment.

According to Indonesian lawmakers, the main concern regarding cryptocurrency is its impact on the broader financial landscape as a whole. The cryptocurrency industry, as it stands, poses serious threats to both a country's monetary policy as well as its financial stability. The Indonesian central bank stated that bitcoin, and other altcoins, could fuel activities such as terrorist funding, drug trade, and human trafficking.

However, since bitcoin's rise in growth and popularity, the international community has taken notice, and this is also true in Indonesia. According to the country's Finance Minister, Indonesian investors are eager to participate in the bitcoin market. However, the government aims to protect its citizens in case bitcoin proves to be an investment trap.

In addition, assistant governor of the country's central bank, Dody Budianto, is worried about the possible impact that a largely unregulated cryptocurrency market could have on the economic landscape, as well as its contribution to inflation rates. Earlier this year, the bank stated that bitcoin's unregulated and decentralized nature could lead to a loss of control over the money supply. In turn, could threaten the country's economic stability.

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Despite the bank's taciturn attitude, the country's prominent bitcoin exchange Indonesia, is still largely unaffected by the country's suggested ban. According to Oscar Darmawan, the company is still continuing business as usual.

According to Darmawan, the Indonesian market is minuscule compared to Japan. Currently, the Indonesian market is only around 1% of the Japanese market. That Bitcoin Indonesia currently has 650,000 members.

However, not all government officials are in favor of the proposed ban. Some are supportive of cryptocurrencies, including Tom Lembong, the Indonesian Minister of Communication and Information Technology. According to Lembong, cryptocurrency could be the economic world's future because of its decentralized nature.

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